

## *Dependent Coverage Extension Rules and Guidelines under Federal and State Laws*

### **Federal Rules for Dependent Eligibility under the Patient Protection and Affordable Care Act of 2010**

#### *Dependent Coverage Extension under Health Reform*

The Patient Protection and Affordable Care Act (PPACA), signed into law in March 2010, requires private insurers that offer dependent coverage to children to allow young adults up to age 26 to remain on their parent's insurance plan. Extending dependent coverage is one of the first provisions of federal health reform that goes into effect. This summary provides responses to basic questions about dependent coverage expansion under Federal law, and explains how the new law will interact with current state laws.

#### *Who is eligible for the extension of dependent coverage?*

The health reform law (PPACA) will allow qualifying young adults, whose parents have private group and non-group health coverage, to remain on their parent's insurance policy up to age 26. Both married and unmarried young adults can qualify for the dependent coverage extension, regardless of financial dependence. The law also specifies that young adults can only qualify for dependent coverage through group health plans that were in place prior to the dependent coverage provision taking effect, if they are not eligible for another employer-sponsored insurance plan. The Secretary of Health and Human Services will issue regulations that will further define who will be considered a dependent eligible to remain on a parent's health insurance policy.

#### *When will young adults be able to take advantage of this coverage, and what should they do if they want to sign up?*

The dependent coverage extension under PPACA takes effect on September 23, 2010, six months after the health reform law was enacted. At that time, when insurance plans start a new plan year, they will have to abide by the new dependent coverage rules. The law stipulates that the dependent coverage extension is effective for new plan years beginning on or after September 23, 2010.

Regulations to be issued before the provision takes effect in September 2010 will provide further clarification regarding enrollment under extended dependent coverage provisions. Young adults who are looking for coverage before the dependent coverage provision takes effect may be able to remain on a parent's plan through COBRA, if they aged off a parent's coverage within the last 60 days. Otherwise, they may be able to buy coverage in the non-group market, or may qualify for the new temporary high-risk pool created by the health reform law, if they have a pre-existing condition and have been uninsured for six months or more.

## State of Ohio Rules for Dependent Eligibility under H.B. 1

### *Dependent Coverage Extension under H.B. 1*

Ohio H.B. 1 provides parents with the opportunity to purchase health care coverage for their children up to age 28. Under this new State law, insurance plans issued or renewed on or after July 1, 2010 must provide this new opportunity.

#### **Qualification Rules for Covering Older Children under a Health Care Plan under Ohio's laws**

To receive benefits up to the age of 28 under Ohio law, the unmarried child must be:

- (1) the natural child, stepchild, or adopted child of the employee;
- (2) an Ohio resident or a full-time student at an accredited public or private institution of higher education;
- (3) not employed by an employer that offers any health benefit plan under which the child is eligible for coverage; and
- (4) not eligible for coverage under Medicaid or Medicare.

#### *Does a child need to live with a parent in order to be eligible for coverage through a parent's plan under Ohio's law?*

The older age child does not have to live with the parent, be financially dependent upon the parent, or be a student in order to be eligible for coverage under a parent's plan.

#### *When does the coverage expansion take effect under Ohio law?*

The law affects sickness and accident insurance policies and HIC policies that are delivered, issued for delivery or renewed, and plans of health coverage and public employee health plans that are established or modified, in Ohio on or after July 1, 2010.

For most existing policies, parents will be able to request coverage for older age children on the policy's first renewal date on or after July 1, 2010. All eligible new policies issued on or after July 1, 2010 will include the coverage expansion to age 28.

#### *What type of coverage does Ohio's age expansion law apply to?*

It applies to:

- (1) group policies that include coverage for dependents, including COBRA and state continuation coverage;
- (2) individual policies that include coverage for dependents, including conversion, open enrollment basic and standard plans; and
- (3) coverage issued by insurance companies, MEWAs, public employee benefit plans or HICs, also referred to as Health Maintenance Organizations (HMOs). Please note: this coverage extension does not apply to self-insured ERISA plans.

***When may an older child enroll?***

An older child may enroll under a parent's medical plan when:

- (1) the child reaches the plan's limiting age;
- (2) the child experiences a change in circumstances; or
- (3) the plan has an open enrollment period.

**How can a parent enroll an older age child?**

A parent interested in enrolling an older age child under Ohio's extended coverage rules should contact his employer or benefit administrator to ask how to enroll the older age child and to learn the added cost of the coverage.

***Will a child be allowed to terminate non-employer individual coverage in order to receive coverage under a parent's coverage?***

Yes. As long as the child otherwise meets the eligibility criteria outlined above an older child will be allowed to terminate non-employer, individual coverage in order to qualify and enroll under a parent's plan of benefits.

***Will a child who previously reached the maximum age for coverage under the policy and elected COBRA continuation coverage be eligible for continued coverage under the parent's policy after July 1, 2010, when these changes become effective?***

Yes. As long as the child meets the eligibility criteria outlined above an older child who previously reached the maximum age for coverage under the plan and elected COBRA will be allowed to re-enroll for coverage under the parent's benefit plan.

***Must an employer who does not currently offer coverage to dependents offer coverage to older age children as a result of this change in the law?***

No. An employer who does not currently offer coverage to dependents is not required to do so as a result of this continuation of coverage law.

**Must a child seeking coverage under a parent's plan have been continuously covered under the parent's plan in order to be eligible for continued coverage after reaching the limiting age for coverage under the policy?**

No. The child need not have been continuously covered under the parent's policy. The child must, however, otherwise meet the eligibility criteria set forth in Ohio's laws.

***Can an HMO require that the older age child meet other plan eligibility criteria such as living in the service area?***

Yes. The HMO must use the same eligibility criteria used for other dependents to the extent that the criteria do not conflict with the eligibility criteria listed above.

***Can a plan apply a pre-existing condition exclusion period to an eligible child who has had a break in continuous coverage?***

Yes. The terms of coverage for the child who has previously reached the maximum age are the same as the terms of coverage for any other person covered under the policy. Limits on pre-existing condition exclusions, if any, apply to older age children the same as they apply to any other insured.

***Does special enrollment apply to older age children? Is a plan required to accept creditable coverage and waive pre-existing condition requirements? With creditable coverage can a plan underwrite the older age child?***

Yes. Older age children returning to coverage must meet the eligibility criteria and have had a qualifying event in order to request coverage under special enrollment. The carrier must accept creditable coverage and waive pre-existing condition requirements for the older age child in the same manner as for any other dependent covered under the benefit plan. The plan may underwrite the older age child with creditable coverage, if the plan sponsor may underwrite other dependents with creditable coverage under the policy.

**Is there an extra cost for covering an older child under a parent's plan?**

The answer to that question depends on the plan sponsor.

Under Ohio law, the plan can charge an additional amount in order for a parent to cover a child under his or her plan beyond the plan's otherwise limiting age. The plan is not required to charge a parent to extend coverage beyond the plan's limiting age for children, but the plan is permitted to do so, so the answer to the question depends on the plan sponsor.

Because there is an added cost to the plan when extending coverage to individuals, most plans are expected to charge an extra premium when a parent asks for the extended coverage for over age children. The cost for the extended coverage is prescribed in Ohio's laws.

***What premium rate should be charged for the older age child?***

The rate charged should be derived from the average child dependent rate for the group or plan. Your plan will provide this rate to you.

***Can a plan charge an older age child a single rate?***

A plan can charge an older age child a single rate as long as the rate is derived from the dependent rate. Employers may not use the single employee rate without adjustment, or a COBRA rate, instead of the implied cost of dependent coverage.

***Will the cost for adding an older age child be the same as the cost for family coverage under a plan?***

No. The cost of adding a qualified older child is based upon rules prescribed by H.B.1 for

calculating a premium cost for a single dependent child. The cost of adding family coverage under a plan can take into account several additional factors including the average number of dependents covered under a family contract.

***If I already have family coverage under a plan, can my older age child simply enroll under my family coverage without additional cost to me?***

No. As prescribed by H.B. 1, you may need to pay an additional premium to cover each such older age child.

***Can a plan sponsor charge a rate based on underwriting?***

Yes. A plan may underwrite the entire group but not solely the older age child. Plans may develop the eligible dependent rate using the rates currently charged to a group for the coverage in which the parent of the older age child is enrolled.

*When the older age child reaches age 28, may the child elect COBRA or state continuation coverage and receive additional coverage?*

No. When coverage ends at age 28 the older age child is not eligible for COBRA or state continuation coverage because the child would not be considered a dependent.

*Does the extension of coverage apply to vision and dental plans?*

No. Policies that cover only limited benefits are exempted from the requirements of this coverage age expansion law.

*Is there anything else I should know?*

Yes. Your benefit plan booklet describing the eligibility provisions for the coverage of dependents under your medical and prescription drug plans will need to be updated to reflect the provisions of these new laws.